

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re: CORE SCIENTIFIC, INC., <i>et al.</i>, Debtors.¹	§ § § § § § § § §	Chapter 11 Case No. 22-90341 (DRJ) (Jointly Administered)
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**DECLARATION OF RUSSELL CANN
IN SUPPORT OF EMERGENCY MOTION OF DEBTORS
FOR ENTRY OF AN ORDER (I) AUTHORIZING THE SALE OF
BITMAIN COUPONS, FREE AND CLEAR OF ALL LIENS, CLAIMS,
INTERESTS, AND ENCUMBRANCES AND (II) GRANTING RELATED RELIEF**

I, Russell Cann, pursuant to section 1746 of title 28 of the United States Code, hereby declare under penalty of perjury that the following is true to the best of my knowledge, information, and belief:

1. I am Head of Mining and Executive Vice President at Core Scientific, Inc. (“Core,” “Core Parent,” and together with its subsidiaries and affiliates, the “Company”). I have served in this capacity, or similar, since February 2018. Prior to joining the Company, I grew and developed a blockchain and cryptocurrency mining business. I previously worked for Accenture in the areas of financial technology and risk management. I graduated cum laude from the South Carolina Honors College and the Moore School of Business.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Core Scientific Mining LLC (6971); Core Scientific, Inc. (3837); Core Scientific Acquired Mining LLC (N/A); Core Scientific Operating Company (5526); Radar Relay, Inc. (0496); Core Scientific Specialty Mining (Oklahoma) LLC (4327); American Property Acquisition, LLC (0825); Starboard Capital LLC (6677); RADAR LLC (5106); American Property Acquisitions I, LLC (9717); and American Property Acquisitions, VII, LLC (3198). The Debtors’ corporate headquarters and service address is 210 Barton Springs Road, Suite 300, Austin, Texas 78704.

2. I make this declaration in support of the *Emergency Motion of Debtors for Entry of an Order (I) Authorizing the Sale of Bitmain Coupons, Free and Clear of All Liens, Claims, Interests, and Encumbrances and (II) Granting Related Relief* (Dkt. No. 346) (the “**Bitmain Coupon Motion**”).² Except as otherwise indicated herein, all facts set forth in this declaration are based on my experience and personal knowledge of the Debtors’ operations and finances, information learned during the course of my employment, along with review of relevant documents, or information that I have received from the Debtors’ management team, the Debtors’ advisors, or employees of the Debtors working directly with me or under my supervision, direction, or control. If called upon to testify, I could and would competently testify to the facts set forth in this declaration on that basis.

3. Headquartered in Austin, Texas, the Company is one of the largest blockchain infrastructure, hosting provider, and digital asset mining companies in North America. A significant part of the Company’s revenue generation involves the mining of digital assets for its own account (“**Self-Mining**”). To conduct Self-Mining, the Company primarily purchases specialized machines (“**Miners**”) that mine digital assets, specifically bitcoin, from original mining equipment manufacturers.

4. Prior to December 21, 2022, the Company acquired a number of Miners from Bitmain Technologies Ltd. (“**Bitmain**”) in the ordinary course of business. In connection with these purchases, Bitmain provided coupons to the Company that could be applied against the purchase price for future acquisitions of new S19 Miners from Bitmain (the “**Bitmain Coupons**”).

² Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Bitmain Coupon Motion.

These Bitmain Coupons are valid for a limited time from the date of issuance and are scheduled to expire between March 22, 2023 and April 23, 2023.

5. In addition to being limited in duration, the Bitmain Coupons are limited in application to a portion of the S19 Miner unit purchase price and to S19 Miner models with a lower “hash rate” output than Bitmain’s most recent models. The Bitmain Coupons can only be used to pay 30% of any new order of S19 Miners from Bitmain and cannot be exchanged with Bitmain for cash. Given these limitations, and the availability of higher hash rate performing units on the secondary market, the Company does not anticipate acquiring eligible S19 Miners from Bitmain prior to the expiration of the Bitmain Coupons. As such, the Company has no use for the Bitcoin Coupons and seeks to sell them to third parties for cash consideration.

6. While the Bitmain Coupons have no use or value to the Company, they may have value in the hands of other parties seeking to acquire S19 Miners. Indeed, similar coupons are often marketed and sold through the “Coupon Exchange” group on Telegram (a free, globally accessible messaging service) or through coupon brokers. Bitmain permits the assignment of its coupons. To effectuate the sale and assignment of coupons, the seller notifies Bitmain that it has sold or transferred Bitmain coupons and Bitmain moves the coupon from the seller’s account to the buyer’s account.

7. Due to current market conditions, a plethora of S19 Miners are available for sale on the secondary market, depressing prices for both used and new S19 Miners, increasing the supply of coupon holders seeking to sell coupons, and reducing the demand for Miner coupons. As such, recent transactions for S19 Miner coupons on the Coupon Exchange have occurred at values of between 15% and 25% of the coupon’s face value.

8. Typically, purchases of Miners are paid in installments over several months, with the initial installment paid many months in advance of expected manufacture and delivery of the Miners and delivery of the Miners occurring upon the payment of the final installment. As a consequence, purchasers of Miners that have made all but the final installment but fully intend to complete the purchase of Miners frequently look for coupons such as the Bitmain Coupons to offset or eliminate amounts due on their final mining purchase payments. As a result, the universe of potential purchasers of the Bitmain Coupons is limited to parties that have already placed orders for S19 Miners with Bitmain and have final installment payments due prior to the expiration of the Bitmain Coupons. The combination of a limited universe of potential purchasers of Bitmain Coupons and an increase in the supply of Miner coupons available means that the Company would need to have the authority to quickly agree and sell Bitmain Coupons when a suitable purchaser arises.

9. The Company has been in discussions with Bitmain and a few potential third parties that may be interested in acquiring the Bitmain Coupons from the Company, albeit at a significant discount. Specifically, the Company is in discussions to sell (a) \$1.9 million of Bitmain Coupons expiring in March and April 2023 for \$285,000 (representing 15% of the face value of such Bitmain Coupons), and (b) \$4.8 million of Bitmain Coupons expiring in March 2023 for approximately \$713,000 (representing 15% of the face value of such Bitmain Coupons), which would result in aggregate proceeds of nearly \$1.0 million from the Company's sale of the Bitmain Coupons.

10. Because the Company has no use for new S19 Miners and the Bitmain Coupons are due to expire by the end of April 2023, the Company has made the business judgment

that selling the Bitmain Coupons, even at a significant discount, is in the best interest of the Company and its creditors.

I hereby declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Austin, Texas

Dated: January 31, 2023

By: /s/ Russell Cann
Russell Cann